

Message Text

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PAGE 01 BERN 01533 131614Z

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 EURE-00 TRSE-00 SSO-00 INRE-00

NSCE-00 USIE-00 AID-05 CIAE-00 COME-00 EB-08

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 SP-02 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03

H-02 PA-02 PRS-01 FEAE-00 INT-05 /099 W

-----131618Z 056228 /40

O R 141541Z APR 77

FM AMEMBASSY BERN

TO SECSTATE WASHDC IMMEDIATE 4180

INFO AMEMBASSY BONN

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

UNCLAS BERN 1533

FOR TREASURY

EO 11652: NA

TAGS: EFIN SZ

SUBJ: ASST TREASURY SECRETARY BERGSTEN'S STATEMENT
BEFORE HOUSE BANKING SUBCOMMITTEE

1. SUMMARY: SWISS REACTION WAS QUICK BUT EXHIBITED
CALM RESERVE TO REPORT THAT ASST TREASURY SECY
BERGSTEN IN APR 6 STATEMENT BEFORE HOUSE BANKING
SUBCOMMITTEE HAS NOTED THAT JAPAN, WEST GERMANY,
SWITZERLAND, AND NETHERLANDS CONTINUE TO RUN SIZABLE
CURRENT ACCOUNT SURPLUSES AND, THEREFORE, ARE NOT
PALYING THEIR PROPER ROLE IN SHARING OUT OPEC-
INDUCED DEFICIT FOR REST OF WORLD. END SUMMARY.

2. SWISS PRESS PUBLISHED APR 6 AFP REPORT OF
BERGSTEN'S STATEMENT, STRESSING THAT HE HAD
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UNCLASSIFIED

PAGE 02 BERN 01533 131614Z

CRITICIZED FOUR COUNTRIES FOR NOT MAKING
SUFFICIENT EFFORTS TO REDUCE THEIR BALANCE OF
PAYMENTS SURPLUS. REPORTED SEGMENTS OF BERGSTEN
STATEMENT INCLUDED QTE THAT IF THESE STRONGER
COUNTRIES ARE UNWILLING TO HELP...THE PROBLEM
OF ADJUSTING AND FINANCING THE INTERNATIONAL
PAYMENTS BALANCE ARE RENDERED MUCH MORE DIFFICULT

UNQTE. HE WAS FURTHER QUOTED THAT QTE US POLICY IS TO URGE THESE COUNTRIES TO TAKE MEASURES WHICH WILL HAVE EFFECT OF REDUCING THEIR SURPLUS AND, INDEED, TO BRING THEM INTO CURRENT ACCOUNT DEFICIT UNQTE. BERGSTEN ALSO WAS REPORTED STATING THAT CONCERN ABOUT SIZABLE US BANK LOANS TO DEVELOPING COUNTRIES WITH BALANCE OF PAYMENTS PROBLEMS IS EXAGGERATED.

3. PRESS COMMENTED THAT THIS WAS NOT FIRST TIME CARTER ADMINISTRATION HAS CRITICIZED THESE COUNTRIES, PARTICULARLY WEST GERMANY AND JAPAN, FOR NOT SUFFICIENTLY STIMULATING THEIR ECONOMIES TO HELP RECOVERY IN OTHER INDUSTRIAL COUNTRIES WITH WHICH THEY TRADE. HOWEVER, WEST GERMAN AND JAPANESE GOVTS HAVE NOT HEEDED US RECOMMENDATIONS, AND THIS PROBABLY WILL BE DISCUSSED AT LONDON SUMMIT IN MAY.

4. IN PRESS REPORT OF QTE UNOFFICIAL UNQTE GOVT REACTION, SWISS AUTHORITIES VIEWED BERGSTEN STATEMENT AS CONTINUATION OF CURRENT US LINE. SWISS ENCOUNTERED SIMILAR CRITICISM DURING FEB 8 OECD REVIEW OF SWISS ECONOMY. FEDERAL COUNCIL DOES NOT WANT TO OPEN PUBLIC DEBATE ON THIS ISSUE, BECAUSE IT BELIEVES US DOES NOT INTEND TO MOUNT DIPLOMATIC OFFENSIVE WITH SWISS AUTHORITIES, AND THEREFORE PROBABLY WILL NOT REPLY TO BERGSTEN STATEMENT. HOWEVER, UNCLASSIFIED

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PAGE 03 BERN 01533 131614Z

REPLIES ARE READY IN EVENT US SENDS OFFICIALS TO BERN FOR DISCUSSION.

5. PRESS REPORTS CONTINUED THAT BERN AUTHORITIES NOTED CURRENCY EXCHANGE RATE ADJUSTMENTS HAVE CONSIDERABLY AFFECTED SWISS COMPETITIVENESS, AND THAT FEW COUNTRIES HAVE SO CONTRIBUTED TO REDISTRIBUTION OF EXCHANGE FLOWS. ADDITIONALLY, SWISS COMMERCIAL POLICY IS AMONG MOST LIBERAL; CUSTOMS PROTECTION HAS ALMOST DISAPPEARED WITH NO QUANTITATIVE RESTRICTION ON INDUSTRIAL IMPORTS. SWITZERLAND IS LEADING PER CAPITA PURCHASER OF US AGRICULTURAL EXPORTS AND SWISS APPLY MOST GENEROUS GSP TO LDC'S. OFFICIALS STRESSED THAT SWISS BANKS' RECYCLING OF PETRODOLLARS CONTRIBUTED TO FINANCIAL MARKETS STABILITY. SWISS NATIONAL BANK MADE IMPORTANT CONTRIBUTION TO SUPPORT INDUSTRIAL COUNTRIES EXPERIENCING BALANCE OF PAYMENTS PROBLEMS AND SWISS PARTICIPATE IN DISCUSSIONS

AIMING AT IMPROVED IMF LIQUIDITY.

6. ARTICLES REPORTED BERN OFFICIALS EMPHASIZED THAT MEASURES TAKEN TO SUSTAIN DOMESTIC ACTIVITY ARE NOT NEGLIGIBLE. HOWEVER, SWISS PRIORITY OBJECTIVE IS TO CURB INFLATION AND NOTHING CAN CHANGE THAT GOAL. FINALLY, BERN AUTHORITIES CRITICIZED METHOD OF REVIEWING BALANCE OF PAYMENTS THEN ASKING SURPLUS COUNTRIES TO RUN DEFICITS FOR THE SAKE OF WORLD ECONOMIC RECOVERY. ESSENTIALLY, SWISS ROLE IN INTERNATIONAL ECONOMY IS MINIMAL. ADDITIONALLY, THIS APPROACH DISREGARDS INTERNAL PROBLEMS OF COUNTRIES CONCERNED. THEY SAID THIS REASONING APPLIES EQUALLY TO JAPAN, WEST GERMANY AND NETHERLANDS.DAVIS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BURDENSARING, PRESS COMMENTS, US CONGRESSIONAL PRESENTATIONS, LOWER HOUSE, SPEECHES, GOVERNMENT REACTIONS, BALANCE OF PAYMENTS DEFICITS, ANTIINFLATIONARY PROGRAMS
Control Number: n/a
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770128-0453
Format: TEL
From: BERN
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770459/aaaabyxu.tel
Line Count: 130
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fd33b2a5-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2811531
Secure: OPEN
Status: NATIVE
Subject: ASST TREASURY SECRETARY BERGSTEN'S STATEMENT BEFORE HOUSE BANKING SUBCOMMITTEE
TAGS: EFIN, SZ, (BERGSTEN, C FRED)
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/fd33b2a5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009